

debts to the amount of £573,000 were carried as good assets and that the advances to shareholders amounted to £988,487. It was found that the four firms to which such immense advances had been made had been dealing in accommodation paper and that the Macdonalds drew upon 124 acceptors, of whom only 37 had been inquired about and 21 were reported as extremely bad. The banks stopped the accounts of these firms, which immediately failed, and a panic resulted on the Stock Exchange on October 10th. Depositors began to withdraw their accounts, the bank was unable to settle its balances through the clearing house and on Monday, November 11th, closed its doors.

The collapse of the City of Glasgow Bank in 1878 was similar in its character to that of the Western Bank twenty-one years earlier and was due to similar causes. The City of Glasgow Bank was compelled to stop temporarily in 1857 and continued to be suspected of reckless management from that time until its failure. The institution had fallen into such discredit early in 1878 that the bill brokers generally asked and received an extra quarter or half of one per cent, over the market rate charged other banks in discounting its acceptances.¹ Distrust finally came to a head in September, 1878, when the London banks found increasing difficulty in getting rid of acceptances sent them by their correspondents in India and ordered their agents in the East to buy no more such paper. The directors of the City of Glasgow Bank appealed to the other Scotch banks for help towards the close of the month and an expert accountant was set to work upon their books. A slight examination showed that nearly £6,000,000 had been lent to four firms and that the books had been deliberately falsified for not less than three years. The other banks declined to give any assistance and the City of Glasgow Bank stopped payments on Wednesday, October 2d. The news was received very quietly in Scotland and the other Scotch banks announced that the notes of the failed bank would continue to be accepted as usual. They also made an arrangement by which relief was given

¹ **Gilbart, II., 365-**